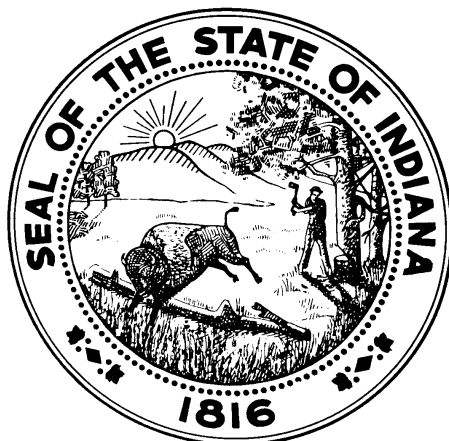


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
03/06/2009

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the County Council	Bradley Bookout	01-01-07 to 12-31-08
President of the Board of County Commissioners	John Brooke	01-01-07 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DELAWARE COUNTY, INDIANA

We have audited the records of the Board of County Commissioners for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Delaware County for the year 2007.

STATE BOARD OF ACCOUNTS

August 25, 2008

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
AUDIT RESULTS AND COMMENTS

DITCH RECORDS

The reports received from the Data Processing Department are not adequate to allow the Auditor's office to reconcile their ledgers. The reports do not indicate beginning balances, principal balances at year end do not include any payments in excess of annual amount due, there reports are not totaled, and no detail listing of accounts is available.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 9)

INTERNAL CONTROLS – TAX SYSTEM

As noted in prior Report B27900, the following deficiencies were noted during the review of the County's property tax computer system:

Output Balancing and Reconciliation

To help ensure reports are complete and correct, reports should be, but are not balanced to control totals produced during original entry of information into the system. The following deficiencies exist where generated reports are not reconciled: There are no system-generated reports from the tax system. However, the computer department constructs some reports at year end. The 2005 beginning billable amount in the Ditch Reconstruction Fund did not match the prior year's ending balance. The assessments on the tax duplicates did not agree to the abstract.

Audit Trails

Audit trails are insufficient. During parts of January, February, and March, some users are allowed to make changes to the CAMA system directly without creating a transaction. Additions, deletions, or changes made through this edit screen are not recorded in the application system. There are no reports provided by the system to record this type of maintenance activity (i.e. changing of fund balances). In addition, there are no manual procedures and logs to record this activity. Until this system is modified to record maintenance activities, manual logs should be used to record all activity performed through the edit and these logs should be retained for audit.

Input Controls

Users have no way of knowing if complete transactions have been entered into this system. While entering information on assessments, it is possible to enter only demographic information while omitting the assessment information. Edits should exist which would prompt a user when information is not complete. If the system cannot provide such edits, the user should implement manual controls such as checklists or visual verification.

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Without these internal controls, the County cannot ensure reliability of the financial information and records created and maintained in the property tax computer system. The Board of County Commissioners should establish internal controls over output balancing and reconciliation; audit trails; and input controls that will provide a proper internal control structure.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Internal Controls - Delaware County 2007 Employee Health Benefits Trust

Delaware County's Board of County Commissioners agreed to establish a separate trust for employee health benefits under the laws of the State of Delaware. The trust issued debt in the form of a loan in the amount of \$23,092,710. The proceeds of the loan are to be used to pay among other things, insurance premiums for certain health and medical care claims of eligible County employees and their dependents. In addition to providing health and medical care insurance, the trustee is responsible for remitting the loan payments and investing the proceeds of the loan. The County supports this trust through monthly remittances that approximate the employee's health care costs. However, the County could not provide documentation to determine the proper reporting of its relationship with the Employee Health Benefits Trust in its financial statements. Additionally, documentation was not available for audit to determine the actual cash and investment balances or schedule the investments by type. County officials agreed to a schedule of loan payments, employee health care payments and balances upon entering into the agreements with the trustee and lender. However, actual reports of cash and investment balances were not available for audit. County officials have not implemented procedures to monitor the trustee and the trust activities even though they may be required to indemnify the trustee for losses to the extent allowable by law.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Without these internal controls the County cannot properly present fairly their financial position and activity. They cannot provide reasonable assurance regarding the reliability of the financial information and records maintained.

COMMISSIONERS
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2008, with John Brooke, President of the County Commissioners; and Bradley Bookout, President of the County Council. The officials concurred with our audit findings.